

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Caseville	County Huron
Fiscal Year End 2/28/06	Opinion Date 6/7/06	Date Audit Report Submitted to State 8/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

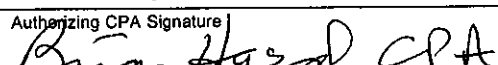
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) GAS Audit Report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.		Telephone Number 989-453-3122	
Street Address 7274 Hartley Street		City Pigeon	State MI
		Zip 48755	
Authorizing CPA Signature 		Printed Name Brian Hazard, CPA	
		License Number 1101014007	

**VILLAGE OF CASEVILLE, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED FEBRUARY 28, 2006**

# VILLAGE OF CASEVILLE, MICHIGAN

## TABLE OF CONTENTS

	<b><u>PAGE NUMBER</u></b>
<b>REPORT OF INDEPENDENT AUDITORS</b>	i - ii
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	iii - ix
<b>BASIC FINANCIAL STATEMENTS</b>	1
Government-Wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of Governmental Fund Balances to Governmental Activities Net Assets	5
Statement of Revenue, Expenditures and Change in Fund Balances – Governmental Fund Types	6 - 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets – Proprietary Funds	9
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to the Financial Statements	12 – 26
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	27
Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – General Fund	28

**VILLAGE OF CASEVILLE, MICHIGAN**

**TABLE OF CONTENTS  
(CONTINUED)**

	<b><u>PAGE NUMBER</u></b>
<b>SUPPLEMENTAL INFORMATION</b>	29
Nonmajor Governmental Funds:	
Combining Balance Sheet	30
Combining Statement of Revenue, Expenditures and Change in Fund Balance	31
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Major Street	32
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Local Street	33
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Police Equipment Fund	34
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Downtown Development Authority	35
Proprietary Fund Types:	
Statement of Revenue and Expenses – Budget and Actual – Sewer Fund	36 - 37
Statement of Revenue and Expenses – Budget and Actual – Water Fund	38 - 39
Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40



# Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

ALLAN W. NIETZKE, CPA  
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BRIAN V. HAZARD, CPA

CPA's On Your Team

## REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council  
Village of Caseville  
Caseville, Michigan 48725

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Caseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2006, on our consideration of the Village of Caseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Report of Independent Auditors (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caseville, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nietzke + Faupel, PC*  
NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

June 7, 2006

# **VILLAGE OF CASEVILLE**

## **Management Discussion and Analysis Statement**

### **INTRODUCTION**

This discussion and analysis of the Village of Caseville's financial report provides an overview of the financial activities for the fiscal year ended February 28, 2006. This analysis should be used as a review of the highlights of the Village's activities and its relationship to the financial well being of the Village.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village's governmental activities exceeded its liabilities at the end of the fiscal year by \$670,829.
- The assets of the Village's business type activities exceeded its liabilities at the end of the fiscal year by \$5,278,617.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is provided as an introduction to the Village's financial statements provided in the audit report. The reports are prepared using a reporting structure that all local governments must use. Comparison tables from the past year are provided to illustrate trends and changes in the financial condition of the Village.

The Village's financial statements are provided in two forms. The first is the government-wide financial statements that show a compilation or summary of the entire Village's finances. The Statement of Net Assets uses accounting similar to private business accounting and shows all of the Village's assets and liabilities. The other government-wide statement is the Statement of Activities. This financial statement shows the change in the Village's net assets during the 2005-2006 fiscal year.

The second form of financial statement is the fund financial statements. A fund is a group of accounts that is used to maintain management control over specific revenues, activities and objectives. Each fund is considered a separate accounting entity and is used to demonstrate compliance with legal requirements related to financial issues.

The governmental funds are used to account for basically the same activities as reported as governmental activities in the government-wide financial statements. The proprietary funds are used to report the same functions presented as the business type activities in the government-wide financial statements.

**VILLAGE OF CASEVILLE**  
**Management Discussion and Analysis Statement**

The following table shows the net assets of the Village as of February 28, 2006 and 2005:

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current assets	\$ 720,645	\$ 677,368	\$ 397,832	\$ 345,008
Restricted assets	693,274	757,128	641,880	685,553
Capital assets-net	<u>743,288</u>	<u>699,516</u>	<u>8,184,565</u>	<u>7,954,734</u>
Total assets	<u>2,157,207</u>	<u>2,134,012</u>	<u>9,224,277</u>	<u>8,985,295</u>
Current liabilities	77,168	30,626	177,577	89,585
Long-term liabilities	<u>1,409,210</u>	<u>1,533,188</u>	<u>3,768,083</u>	<u>3,554,256</u>
Total liabilities	<u>1,486,378</u>	<u>1,563,814</u>	<u>3,945,660</u>	<u>3,643,841</u>
Net assets:				
Invested in capital assets, net of related debt	(406,712)	(505,484)	4,610,140	4,769,734
Restricted	464,659	507,397	343,335	343,336
Unrestricted	<u>612,882</u>	<u>568,286</u>	<u>325,142</u>	<u>228,385</u>
Total net assets	<u>\$ 670,829</u>	<u>\$ 570,199</u>	<u>\$ 5,278,617</u>	<u>\$ 5,341,455</u>

	Totals	
	2006	2005
Current assets	\$1,118,477	\$ 1,022,376
Restricted assets	1,335,154	1,442,681
Capital assets-net	<u>8,927,853</u>	<u>8,654,250</u>
Total assets	<u>11,381,485</u>	<u>11,119,307</u>
Current liabilities	254,745	120,211
Long-term liabilities	<u>5,177,293</u>	<u>5,087,444</u>
Total liabilities	<u>5,432,038</u>	<u>5,207,655</u>
Net assets:		
Invested in capital assets, net of related debt	(4,203,428)	(4,264,250)
Restricted	807,994	850,733
Unrestricted	<u>938,024</u>	<u>796,671</u>
Total net assets	<u>\$5,949,445</u>	<u>\$ 5,911,654</u>



## **VILLAGE OF CASEVILLE**

### **Management Discussion and Analysis Statement**

#### **GOVERNMENTAL ACTIVITIES**

The Village's governmental activities include the activities in several funds. These are the functions of the Village that are supported by taxes, user fees, intergovernmental revenue, and service charges. The activities included are for general government, public safety, highways and public improvements, sanitation, community development, parks and recreation, and principal and interest on long-term debt.

The revenue of the governmental activities was \$984,885 for fiscal year 2006 compared to \$1,016,299 for 2005. The decrease in revenue of the governmental activities is due to the decrease in transfers between funds. The expenses of the governmental activities for fiscal year 2006 were \$884,256 compared to \$951,753 for 2005. The main decrease in governmental activity expenses is in the general government category as shown in the table below. This resulted in an increase in net assets of \$100,630 for fiscal year 2006 compared to \$64,546 for 2005.

#### **BUSINESS TYPE ACTIVITIES**

The Village's business type activities include the water and sewer funds. The Village provides sanitary sewer service to the residents of Caseville using a gravity/pump lagoon system and water using a lake intake system with a water filtration plant. Water is also provided to two other government entities that pay on the basis of water usage using a rate created by the cost of water production. The Village of Pigeon and sections of Caseville Township are the entities. The cost of a new water intake system has been financed with a loan from the USDA with the annual bond payments being shared by the Caseville Township and the Village of Pigeon.

The business type activities in total showed a decrease in net assets as a whole from \$5,341,455 to \$5,278,617. The decrease totaled \$62,838 and can be attributed to an increase in water expenses due to a reimbursement of pre-construction expenses.

**VILLAGE OF CASEVILLE**  
**Management Discussion and Analysis Statement**

The following table shows the Village's change in net assets for the years ended February 28, 2006 and 2005:

	Governmental Activities		Business-Type Activities	
Revenue:	2006	2005	2006	2005
Program revenue:				
Charges for services	\$ 114,601	\$ 109,109	\$ 981,266	\$ 831,649
General revenue:				
Property taxes	515,643	490,884		
State shared revenue	185,728	190,341		
Unrestricted investment earnings	20,736	9,877	19,061	8,219
Miscellaneous	89,609	70,055		62,681
Transfers - net	<u>58,569</u>	<u>146,034</u>	<u>(58,569)</u>	<u>(146,034)</u>
Total revenue	<u>984,885</u>	<u>1,016,299</u>	<u>941,758</u>	<u>756,515</u>
Expenses:				
General government	313,663	403,586		
Public safety	226,923	220,581		
Highways and public improvements	213,542	192,813		
Sanitation	82,726	67,651		
Community development		30,000		
Parks and recreation	23,468	26,179		
Unallocated depreciation	13,365			
Interest on long-term debt	10,569	10,944		
Water			802,386	607,765
Sewer			363,617	353,665
Recycling				2,968
Total expenses	<u>884,256</u>	<u>951,753</u>	<u>1,166,003</u>	<u>964,399</u>
Change in net assets	100,630	64,546	(224,245)	(207,884)
Net assets - beginning	570,199	505,653	5,341,455	5,549,339
Prior period adjustment			161,407	
Net assets - ending	<u>\$ 670,829</u>	<u>\$ 570,199</u>	<u>\$ 5,278,617</u>	<u>\$ 5,341,455</u>

**VILLAGE OF CASEVILLE**  
**Management Discussion and Analysis Statement**

		Totals
Revenue:	2006	2005
Program revenue:		
Charges for services	\$1,095,867	\$ 940,758
General revenue:		
Property taxes	515,643	490,884
State shared revenue	185,728	190,341
Unrestricted investment earnings	39,796	18,096
Miscellaneous	89,609	132,736
Transfers - net	<u>-</u>	<u>-</u>
Total revenue	<u>1,926,643</u>	<u>1,772,814</u>
Expenses:		
General government	313,663	403,586
Public safety	226,923	220,581
Highways and public improvements	213,542	192,813
Sanitation	82,726	67,651
Community development		30,000
Parks and recreation	23,468	26,179
Unallocated depreciation	13,365	
Interest on long-term debt	10,569	10,944
Water	802,386	607,765
Sewer	363,617	353,665
Recycling	<u></u>	<u>2,968</u>
Total expenses	<u>2,050,259</u>	<u>1,916,152</u>
Change in net assets	(123,615)	(143,338)
Net assets - beginning	5,911,653	6,054,991
Prior period adjustment	<u>161,407</u>	<u></u>
Net assets - ending	<u>\$5,949,445</u>	<u>\$5,911,653</u>

**BUDGET VARIATIONS**

The actual general fund revenues were \$36,753 more than the budgeted revenues and the actual expenditures were \$19,410 less than the budgeted expenditures. The sanitation expenditures exceeded the budgeted amount by \$1 and the Downtown Development Authority expenditures exceeded the budgeted amount by \$700.

## **VILLAGE OF CASEVILLE**

### **Management Discussion and Analysis Statement**

The two proprietary funds, sewer fund and water fund, also had budget variances. The sewer fund showed actual revenues exceeding the budgeted revenue by \$34,696. The actual expenses exceeded the budgeted expenses by \$78,312. This unfavorable budget variance resulted because depreciation expense of \$114,293 was not budgeted.

The other proprietary fund, the water fund, showed actual revenues exceeding budgeted amounts by \$50,553. The actual expenses were \$2,782,133 less than the budgeted expenses mainly because the water intake project that was budgeted did not start as projected when the budget was prepared and depreciation of \$146,776 was not budgeted.

### **CAPITAL ASSET AND DEBT ACTIVITY**

The Village as of February 28, 2006 had capital assets and construction in progress both in its governmental and business-type activities of \$8,900,928 (net of accumulated depreciation). These assets include roads, buildings and land, sewer and water systems, equipment, and other infrastructure used by the Village to provide services to the public.

Capital assets purchased during the fiscal year included four sewer lagoon aerators at a total cost of \$85,000. The payment for the aerators has been set up in an equipment lease/purchase plan with payments over three years at \$29,500 annually. The payments include principal and interest. The aerators greatly enhance the treatment ability of the lagoons and prolong the period before sludge removal is necessary.

The long term debt that the Village has incurred, including bonds for water, sewer, DDA Streetscape, Oxbow river dredging and the new water intake system totals \$4,642,000. A detailed itemization can be viewed in Note No. 9 on page 23.

### **ECONOMIC FACTORS, CURRENTLY KNOWN FACTS, OR CONDITIONS**

There are several economic factors, and currently known facts or conditions for the Village of Caseville for the next fiscal year that will effect its financial position.

The water system intake improvement and water tower refurbishment project will be undertaken with the new debt incurred for payment for the construction. This \$3,284,000 project will be paid over 40 years and the Village's portion will be paid through increased water rates.

Circuit Court action regarding the Interlocal Water agreement with Caseville Township should be started in late 2006. The settlement that will result could force the Township to pay for both their portion of the new water intake debt and past water charges that are in dispute. At the end of this fiscal year, the total amount in dispute was \$136,860.

The state economic condition is one of the worst in the country, but all available buildings in the Village are occupied with businesses as the closeness to major metropolitan areas has resulted in increased tourism. The success of the Cheeseburger in Caseville Festival has had a large positive impact on the local economy and will continue each year.

**VILLAGE OF CASEVILLE**  
**Management Discussion and Analysis Statement**

**CONTACT FOR ADDITIONAL INFORMATION**

This discussion is meant to be an overview of the Village's financial position for the fiscal year ended February 28, 2006. To view the complete audit or for an explanation of the audit or other financial aspects of the Village operations, please contact the Village office at 6767 Main Street, Caseville, MI 48725 or call 989-856-2102.

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF CASEVILLE, MICHIGAN

## STATEMENT OF NET ASSETS FEBRUARY 28, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTALS
<b><u>ASSETS</u></b>			
Cash	\$ 121,320	\$ 2,074	\$ 123,394
Investments	544,729	153,591	698,320
Accounts receivable	22,856	195,056	217,912
Taxes receivable	39,180	2,935	42,115
Inventory		36,736	36,736
Internal balances	(7,440)	7,440	-
Restricted assets:			
Investments	464,659	316,297	780,956
Special assessments receivable	228,615	325,583	554,198
Capital assets	1,374,868	11,469,451	12,844,319
Construction in progress		368,774	368,774
Less accumulated depreciation	(631,580)	(3,680,585)	(4,312,165)
Bond issue costs		26,925	26,925
<b>TOTAL ASSETS</b>	<u>2,157,207</u>	<u>9,224,277</u>	<u>11,381,485</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	7,462	12,827	20,289
Accrued compensated absences	80,595		80,595
Accrued interest	19,706	59,750	79,456
Current portion of long-term debt	50,000	105,000	155,000
Deferred revenue	228,615	325,583	554,198
Lease payable		55,500	55,500
General obligation bonds payable	<u>1,100,000</u>	<u>3,387,000</u>	<u>4,487,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,486,378</u>	<u>3,945,660</u>	<u>5,432,038</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	(406,712)	4,610,140	4,203,428
Restricted for:			
Debt service	111,767	283,500	395,267
Capital projects	352,240	59,835	412,075
Police forfeiture	652		652
Unrestricted	612,882	325,142	938,024
<b>TOTAL NET ASSETS</b>	<u>\$ 670,829</u>	<u>\$ 5,278,617</u>	<u>\$ 5,949,445</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	PROGRAM REVENUES			NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b><u>Governmental Activities</u></b>						
General government	\$ 313,663	\$ 20,906		\$ (292,757)	\$ (292,757)	\$ (292,757)
Public safety	226,923	1,473		(225,450)	(225,450)	(225,450)
Highways and public improvements	213,542	4,923		(208,619)	(208,619)	(208,619)
Sanitation	82,726	87,299		4,573	4,573	4,573
Parks and recreation	23,468			(23,468)	(23,468)	(23,468)
Unallocated depreciation	13,365			(13,365)	(13,365)	(13,365)
Interest on long-term debt	10,569			(10,569)	(10,569)	(10,569)
<b>Total governmental activities</b>	<b>884,256</b>	<b>114,601</b>	<b>-</b>	<b>(769,555)</b>		<b>(769,555)</b>
<b><u>Business-Type Activities</u></b>						
Water	802,386	684,253			\$ (118,133)	(118,133)
Sewer	363,617	297,013			(66,604)	(66,604)
<b>Total business-type activities</b>	<b>1,166,003</b>	<b>981,266</b>	<b>-</b>		<b>(184,737)</b>	<b>(184,737)</b>
<b>Total Government</b>	<b>\$ 2,050,259</b>	<b>\$ 1,095,867</b>	<b>\$ -</b>	<b>(769,555)</b>	<b>(184,737)</b>	<b>(954,392)</b>
<b>General Revenue:</b>						
Property taxes				515,643		515,643
State shared revenues				185,728		185,728
Unrestricted investment earnings				20,736	19,061	39,796
Miscellaneous				89,609		89,609
Transfers - net				58,569	(58,569)	-
<b>Total general revenues and transfers</b>				<b>870,285</b>	<b>(39,508)</b>	<b>830,776</b>
<b>Change in net assets</b>				<b>100,630</b>	<b>(224,245)</b>	<b>(123,615)</b>
<b>Net assets - beginning</b>				<b>570,199</b>	<b>5,341,455</b>	<b>5,911,653</b>
<b>Prior period adjustment</b>					<b>161,407</b>	<b>161,407</b>
<b>Net assets - ending</b>				<b>\$ 670,829</b>	<b>\$ 5,278,617</b>	<b>\$ 5,949,445</b>



**VILLAGE OF CASEVILLE, MICHIGAN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**FEBRUARY 28, 2006**

	<u>GENERAL</u>	OTHER NONMAJOR GOVERNMENTAL <u>FUNDS</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 97,458	\$ 23,594	\$ 121,052
Petty cash	190		190
Investments	243,302	80,650	323,953
Accounts receivable	22,856		22,856
Taxes receivable	8,912	30,268	39,180
Due from other funds	3,180	3,185	6,365
Restricted assets:			
Investments		464,659	464,659
Special assessments receivable		228,615	228,615
<b>TOTAL ASSETS</b>	<u>\$ 375,898</u>	<u>\$ 830,971</u>	<u>\$ 1,206,869</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts payable	\$ 7,003		\$ 7,003
Accrued interest		\$ 19,706	19,706
Deferred revenue		228,615	228,615
Due to other funds	3,185	975	4,160
<b>TOTAL LIABILITIES</b>	<u>10,188</u>	<u>249,296</u>	<u>259,484</u>
<b><u>FUND EQUITY:</u></b>			
Fund balance:			
Reserved for debt service		111,767	111,767
Reserved for capital projects		352,240	352,240
Reserved for police forfeiture		652	652
Unreserved	365,710	117,016	482,726
<b>TOTAL FUND EQUITY</b>	365,710	581,675	947,385
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 375,898</u>	<u>\$ 830,971</u>	<u>\$ 1,206,869</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES  
TO GOVERNMENTAL ACTIVITIES NET ASSETS  
FEBRUARY 28, 2006**

<b>Total governmental fund balances</b>	<b>\$ 947,385</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,374,868 less the accumulated depreciation of \$631,580.	743,288
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Internal service fund is not included in the governmental funds.	210,750
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,230,595)
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<b>Net assets - governmental activities</b>	<b><u>\$ 670,829</u></b>
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**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>			
Property taxes	\$ 386,785	\$ 12,281	\$ 399,066
Current TIFA payments		70,048	70,048
Special assessments		20,205	20,205
Licenses and permits	16,550		16,550
Intergovernmental	100,971	112,020	212,991
Charges for services	86,400		86,400
Fines and forfeits	12,886		12,886
Interest	9,119	20,373	29,492
Administrative charges	62,873		62,873
Miscellaneous	8,813	6,540	15,353
<b>TOTAL REVENUE</b>	<u>684,397</u>	<u>241,467</u>	<u>925,864</u>
<b>EXPENDITURES:</b>			
Current:			
Village council/president/clerk	54,405		54,405
Elections	14		14
Administration	142,537	4,040	146,577
Village hall and grounds	29,923		29,923
Police protection	182,695	8,406	191,101
Breakwall area	12,746		12,746
Department of public works	71,371		71,371
Construction		70,629	70,629
Routine maintenance		74,471	74,471
Winter maintenance		15,716	15,716
Trunkline maintenance		27,418	27,418
Water board	942		942
Leaf and brush	22,408		22,408
Public utilities	36,270		36,270
Sanitation	60,801		60,801
Recreation	10,817		10,817
Planning commission	3,076		3,076
Zoning board of appeals	7,736		7,736
Downtown development authority	61,900	4,975	66,875
Debt service - principal and interest payments		105,738	105,738
<b>TOTAL EXPENDITURES</b>	<u>697,641</u>	<u>311,393</u>	<u>1,009,034</u>
<b>EXCESS OF REVENUE (UNDER)</b>			
<b>EXPENDITURES</b>	<u>(13,244)</u>	<u>(69,926)</u>	<u>(83,170)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	33,968	85,129	119,097
Operating transfers out	<u>(1,929)</u>	<u>(58,600)</u>	<u>(60,529)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	32,039	26,529	58,568
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>18,795</u>	<u>(43,397)</u>	<u>(24,602)</u>
<b>FUND BALANCE - BEGINNING</b>	346,915	625,072	971,987
<b>FUND BALANCE - ENDING</b>	<u>\$ 365,710</u>	<u>\$ 581,675</u>	<u>\$ 947,385</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FEBRUARY 28, 2006**

**Net change in fund balances - governmental funds** **\$ (24,602)**

Amounts reported for governmental activities in the statement of net activities  
are different because:

Governmental funds report capital outlay as expenditures. However, in the  
*Statement of Activities*, assets with an initial, individual cost of more than  
\$1,000 are capitalized and the cost is allocated over their estimated useful  
lives and reported as depreciation expense. This is the amount by which  
capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 84,021	
Depreciation expense	<u>(21,087)</u>	
		62,934

Long-term accrued compensated absences are treated as an expense  
in the statement of activities. (1,229)

The net revenue of certain activities of internal service fund is reported with  
governmental activities. 8,525

Payment of long-term debt is an expenditure in the governmental funds, but  
not in the Statement of Activities. 55,000

**Change in net assets - governmental activities** **\$ 100,630**

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
FEBRUARY 28, 2006**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND</b>
	<b><u>SEWER</u></b>	<b><u>WATER</u></b>	<b><u>TOTALS</u></b>	
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 367	\$ 1,707	\$ 2,074	\$ 78
Investments	100,102	53,489	153,591	220,776
Accounts receivable	36,329	218,727	255,056	
Allowance for doubtful accounts		(60,000)	(60,000)	
Taxes receivable	2,935	-	2,935	
Inventory	5,264	31,472	36,736	
<b>TOTAL CURRENT ASSETS</b>	<b><u>144,996</u></b>	<b><u>245,395</u></b>	<b><u>390,391</u></b>	<b><u>220,854</u></b>
<b>RESTRICTED ASSETS:</b>				
Investments	200,797	115,500	316,297	
Special assessments receivable	325,583		325,583	
<b>TOTAL RESTRICTED ASSETS</b>	<b><u>526,380</u></b>	<b><u>115,500</u></b>	<b><u>641,880</u></b>	
<b>CAPITAL ASSETS</b>				
Sewer system	7,097,127		7,097,127	
Water system		4,372,324	4,372,324	
Equipment				572,603
Construction in progress		368,774	368,774	
<b>TOTAL CAPITAL ASSETS</b>	<b><u>7,097,127</u></b>	<b><u>4,741,098</u></b>	<b><u>11,838,225</u></b>	<b><u>572,603</u></b>
<b>LESS: ACCUMULATED DEPRECIATION</b>	<b><u>(1,807,107)</u></b>	<b><u>(1,873,478)</u></b>	<b><u>(3,680,585)</u></b>	<b><u>(343,152)</u></b>
<b>CAPITAL ASSETS - NET</b>	<b><u>5,290,020</u></b>	<b><u>2,867,620</u></b>	<b><u>8,157,640</u></b>	<b><u>229,451</u></b>
<b>OTHER ASSETS</b>				
Bond issue costs		26,925	26,925	
<b>TOTAL ASSETS</b>	<b><u>5,961,396</u></b>	<b><u>3,255,440</u></b>	<b><u>9,216,836</u></b>	<b><u>450,305</u></b>
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES:</b>				
Due to other funds		2,205	2,205	
Accounts payable	1,248	11,579	12,827	458
Accrued interest	59,750		59,750	
Lease payable	55,500		55,500	
Maturing bonds payable	60,000	45,000	105,000	
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>176,498</u></b>	<b><u>58,784</u></b>	<b><u>235,282</u></b>	<b><u>458</u></b>
<b>NONCURRENT LIABILITIES:</b>				
Deferred revenue	325,583		325,583	
Bonds payable	2,390,000	1,102,000	3,492,000	
Less current portion	(60,000)	(45,000)	(105,000)	
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>2,655,583</u></b>	<b><u>1,057,000</u></b>	<b><u>3,712,583</u></b>	
<b>TOTAL LIABILITIES</b>	<b><u>2,832,081</u></b>	<b><u>1,115,784</u></b>	<b><u>3,947,865</u></b>	<b><u>458</u></b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	2,844,520	1,765,620	4,610,140	229,451
Restricted for:				
Debt service	168,000	115,500	283,500	
Capital projects	32,797	27,038	59,835	
Unrestricted	83,999	231,498	315,497	220,395
<b>TOTAL NET ASSETS</b>	<b><u>\$ 3,129,316</u></b>	<b><u>\$ 2,139,656</u></b>	<b><u>5,268,972</u></b>	<b><u>\$ 449,846</u></b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			9,645	
Net assets of business-type activities			<b><u>\$ 5,278,617</u></b>	

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND</b>
	<b>SEWER</b>	<b>WATER</b>	<b>TOTALS</b>	
<b>OPERATING REVENUE:</b>				
Charges for services	\$ 162,779	\$ 673,295	\$ 836,074	\$ 98,009
Penalties	1,077	1,152	2,229	
Miscellaneous		9,806	9,806	346
<b>TOTAL OPERATING REVENUE</b>	<u>163,856</u>	<u>684,253</u>	<u>848,109</u>	<u>98,355</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	44,770	165,741	210,511	10,967
Employee benefits	25,618	95,169	120,787	5,560
Administration	14,408	43,225	57,633	
Office supplies		212	212	
Operating supplies	7,216	26,225	33,441	13,080
Lab supplies		16,319	16,319	
Maintenance supplies		6,816	6,816	
Contracted services	2,552	13,138	15,690	
Legal	60	13,528	13,588	
Utilities	8,240	45,434	53,674	4,411
Depreciation	114,293	146,776	261,069	37,561
Repairs and maintenance	7,574	41,263	48,837	11,230
Insurance	3,338	30,805	34,143	11,253
Equipment rental	12,574	16,216	28,790	
Miscellaneous	2,650	2,926	5,576	
<b>TOTAL OPERATING EXPENSES</b>	<u>243,293</u>	<u>663,792</u>	<u>907,085</u>	<u>94,062</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(79,437)</u>	<u>20,460</u>	<u>(58,977)</u>	<u>4,293</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>				
Interest income	13,743	5,318	19,061	5,510
Interest expense - long-term debt	(120,875)	(42,845)	(163,720)	
Reimburse pre-construction expenses		(96,475)	(96,475)	
Service charges - debt	133,157		133,157	
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>26,025</u>	<u>(134,003)</u>	<u>(107,977)</u>	<u>5,510</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING (USES)</b>	<u>(53,412)</u>	<u>(113,542)</u>	<u>(166,954)</u>	<u>9,803</u>
<b>OTHER FINANCING (USES):</b>				
Transfer to other funds	(23,257)	(35,312)	(58,569)	
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(23,257)</u>	<u>(35,312)</u>	<u>(58,569)</u>	
<b>CHANGE IN NET ASSETS</b>	<u>(76,669)</u>	<u>(148,854)</u>	<u>(225,523)</u>	<u>9,803</u>
<b>NET ASSETS - BEGINNING</b>	3,205,985	2,127,103		440,043
<b>PRIOR PERIOD ADJUSTMENT</b>		161,407		
<b>NET ASSETS - ENDING</b>	<u>\$ 3,129,316</u>	<u>\$ 2,139,656</u>		<u>\$ 449,846</u>

Adjustment to reflect the consolidation of Internal Service Fund  
activities related to enterprise funds

1,278

Changes in net assets of business-type activities

\$ (224,245)

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</b>
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 169,213	\$ 713,281	\$ 882,493	
Receipts from interfund services				\$ 98,355
Payments to suppliers of goods and services	(48,351)	(478,890)	(527,241)	(39,994)
Payments for interfund services	(12,574)	(16,216)	(28,790)	
Payments to employees	(44,770)	(165,741)	(210,511)	(10,967)
Payments for fringe benefits	(25,618)	(95,169)	(120,787)	(5,560)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>37,900</u>	<u>(42,735)</u>	<u>(4,836)</u>	<u>41,834</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers to other funds	(23,257)	(35,312)	(58,568)	
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(23,257)</u>	<u>(35,312)</u>	<u>(58,568)</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of assets	(29,500)	(10,201)	(39,701)	(18,399)
Additions to construction in progress		(207,367)	(207,367)	
Bond issue costs		(26,925)	(26,925)	
Service charges - debt	133,157		133,157	
Proceeds from bonds		407,000	407,000	
Principal paid on bond maturities	(55,000)	(45,000)	(100,000)	
Interest paid on bonds	(122,250)	(42,845)	(165,095)	
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(73,593)</u>	<u>74,662</u>	<u>1,070</u>	<u>(18,399)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	13,743	5,318	19,061	5,510
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>13,743</u>	<u>5,318</u>	<u>19,061</u>	<u>5,510</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<u>(45,207)</u>	<u>1,934</u>	<u>(43,273)</u>	<u>28,945</u>
<b>CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR</b>	<u>346,472</u>	<u>168,763</u>	<u>515,235</u>	<u>191,909</u>
<b>CASH AND RESTRICTED CASH - END OF THE YEAR</b>	<u>\$ 301,265</u>	<u>\$ 170,697</u>	<u>\$ 471,962</u>	<u>\$ 220,854</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (79,437)	\$ (76,015)	\$ (155,452)	\$ 4,293
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	114,293	146,776	261,069	37,561
(Increase) decrease in current assets:				
Accounts receivable	6,510	28,750	35,260	
Taxes receivable	(1,153)	278	(875)	
Inventories	(22)	(5,117)	(5,139)	
Increase (decrease) in current liabilities:				
Accounts payable	(2,291)	(13,342)	(15,633)	(21)
Due to other fund		(124,065)	(124,065)	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 37,900</u>	<u>\$ (42,735)</u>	<u>\$ (4,836)</u>	<u>\$ 41,834</u>

The accompanying notes are an integral  
part of the financial statements.



## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Village of Caseville operates a Council-President form of government under provisions of a revised charter and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

#### **Reporting Entity:**

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

**Caseville Schools.** This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Caseville Township/Village Harbor Commission.** The Village of Caseville along with Caseville Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appoints three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village.

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Reporting Entity: (Continued)**

**Caseville Historical Society.** This potential component unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

Included in the reporting entity:

**Downtown Development Authority.** According to the criteria of the Governmental Accounting Standards Board, the Downtown Development Authority of the Village of Caseville is considered a component unit of the Village of Caseville and the blending method was used to include the component unit in the Village's reporting entity financial statements. The Village appoints the governing authority and also has the authority to approve contracts.

#### **GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS:**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## VILLAGE OF CASEVILLE, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)** **GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

**General Fund**-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Water Fund** accounts for the activities of the Village's water distribution system.

Additionally, the Village reports the following nonmajor fund types:

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)** **GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**

**Special Revenue Funds** - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Village accounts for the Major Street, Local Street, and Police Equipment Fund in special revenue funds.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

**Internal Service Funds (Equipment Rental Fund)** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis. The Equipment Fund rents equipment to other City funds and departments at an hourly rate determined by the State of Michigan.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Utility enterprise funds and the Village's Internal Service fund are charges to customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Budgets and Budgetary Accounting:**

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

**Cash and Cash Equivalents:**

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including demand deposits and brokerage accounts.

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at February 28, 2006 consist of property taxes, state road taxes, and billings for user charged services, including trash collections and utility services. Taxes, trash and utility charges (except certain water charges) are deemed collectible in full.

The Village is currently in a dispute with a water customer over the amount of water usage charges billed to the customer. As a result of the dispute, an allowance in the amount of \$60,000 has been established to offset the water accounts receivable balance.

## VILLAGE OF CASEVILLE, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

##### Compensated Absences:

Village employees are allowed one day per month sick leave, not to exceed 12 days per year, and may accumulate up to a maximum of sixty days. Upon termination of employment, or retirement of an employee, an employee will be paid in full for all earned unused sick days at his/her current rate of pay. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is classified as long-term since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

##### Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

##### Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

# **VILLAGE OF CASEVILLE, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Capital Assets: (Continued)**

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended February 28, 2006, was \$21,087. Capital asset acquisitions in the governmental funds totaled \$102,420, and dispositions totaled \$19,441 for the year ended February 28, 2006. A summary of Governmental Fund capital assets at February 28, 2006, follows:

	<b>February 28,</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Land	\$ 192,677	\$ 192,677
Roads	72,003	
Buildings	433,731	429,106
Vehicles	47,000	47,000
Equipment	56,854	49,461
Internal Service Fund assets	<u>572,603</u>	<u>573,645</u>
Total capital assets	1,374,868	1,291,889
Less accumulated depreciation	<u>(631,580)</u>	<u>(592,373)</u>
<b>NET GOVERNMENTAL CAPITAL ASSETS</b>	<b><u>\$ 672,430</u></b>	<b><u>\$ 699,516</u></b>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended February 28, 2006 was \$261,069. Capital asset acquisitions in the business-type funds totaled \$95,201 for the year ended February 28, 2006, and there were no dispositions. A summary of Business-Type Fund capital assets at February 28, 2006, follows:

	<b>February 28,</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Land	\$2,547,940	\$2,462,940
Land improvements	42,637	42,637
Buildings	276,525	276,525
Wastewater pipelines	4,155,635	4,155,635
Equipment	250,745	240,544
Sewer wells and pumphouses	240,818	240,818
Water system	<u>3,955,151</u>	<u>3,955,151</u>
Total capital assets	11,469,451	11,374,250
Less accumulated depreciation	<u>(3,680,585)</u>	<u>(3,419,516)</u>
<b>NET BUSINESS-TYPE FUND CAPITAL ASSETS</b>	<b><u>\$ 7,788,866</u></b>	<b><u>\$ 7,954,734</u></b>

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**  
**Capital Assets: (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 7,722
Unallocated	<u>13,365</u>
Total depreciation expense – governmental activities	<u>\$21,087</u>
Business-type activities:	
Sewer	\$114,293
Water	<u>146,776</u>
Total depreciation expense – business-type activities	<u>\$261,069</u>

**Long-Term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.



# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

### NOTE 2 - BUDGET COMPLIANCE:

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

During the year ended February 28, 2006, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Sanitation	\$ 60,800	\$ 60,801	\$ 1
Downtown development authority	61,200	61,900	700
<b>Special Revenue Funds:</b>			
<b>Local Street:</b>			
Construction	60,730	70,629	9,899

### NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits and investments at February 28, 2006 consist of the following:

		<u>Weighted Average Maturity</u>
<b>Deposits</b>		
Cash in bank		
Checking	\$ 123,394	
Certificates of deposit	1,124,652	
<b>Investments (Market value)</b>		
Cash	782	
Money market fund	3,665	.0027*
Federal Home Loan Bank Bond (4.22% interest, due 11/28/06, Rated AAA)	149,285	.74
Federal Home Loan Mortgage Corp. Bond (2.5% interest, due 4/28/06, Rated AAA)	100,481	.16
Federal Home Loan Mortgage Corp. Bond (2.74% interest, due 5/12/06, Rated AAA)	<u>100,411</u>	.20
Total cash and investments	<u>\$1,602,670</u>	

\* .0027 equals one day maturity

The amount of the Village's deposits at February 28, 2006, that were covered by federal depository insurance totaled \$1,200,941 and \$59,525 were uninsured and uncollateralized.

**VILLAGE OF CASEVILLE, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
FEBRUARY 28, 2006**

**NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)**

Michigan Compiled Laws Section 129.91 authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village's investment policy does not specifically address credit risk, custodial credit risk, concentration of credit risk, or interest rate risk in accordance with GASB Statement 40.

The carrying amount of cash and investments, which were restricted or designated for specific purposes as of February 28, 2006, amounted to \$780,956. Cash and investments were restricted or designated for the following purposes:

	<b>February 28, 2006</b>
Police forfeiture use	\$ 652
Retirement of general obligation sanitary sewer bonds and to extend, enlarge and improve the sewer system	200,797
Retirement of general obligation water system bonds and to extend, enlarge and improve the water system	115,500
Capital acquisitions	352,240
Retirement of special assessment bonds	<u>111,767</u>
	<u><b>\$780,956</b></u>

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:**

The amount of interfund receivables and payables are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 3,180	\$ 3,185
Oxbow Debt Service	3,185	
Water Fund		2,205
Downtown Development Authority		975
	<u><b>\$ 6,365</b></u>	<u><b>\$ 6,365</b></u>

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

### NOTE 5 – CONSTRUCTION IN PROGRESS:

As of February 28, 2006, the Village has incurred \$368,774 of capital expenditures related to the water intake project. The project includes installing a new lake intake farther from shore. The total cost of the project is estimated to be approximately \$3,284,000.

### NOTE 6 - PENSION PLAN:

**Plan Description:** The Village of Caseville participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy:** The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their annual compensation.

**Annual Pension Cost:** For the year ended February 28, 2006, the Village's annual pension cost of \$47,222 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 43,631	\$ 41,321	\$ 46,671
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	503,677	590,237	686,173
Actuarial Accrued Liability (entry age)	808,258	888,953	1,026,939
Unfunded AAL	304,581	298,716	340,766
Funded ratio	62%	66%	67%
Covered payroll	429,836	412,195	452,495
UAAL as a percentage of covered payroll	71%	72%	75%

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

### **NOTE 7 – ACCUMULATED SICK PAY:**

Village policy allows full time employees to accumulate sick leave time at various rates, depending on the employee's current rate of pay. Amounts accumulated up to a maximum of 60 days are to be paid to the employee and recognized as an expense either when sick leave time is used, or upon termination of employment.

As of February 28, 2006, this liability was \$80,595.

### **NOTE 8 – RISK MANAGEMENT:**

#### **General Liability**

Village of Caseville is a member in the Michigan Township Participating Plan for the coverage of significant losses due to its general liability. The membership in the plan constitutes transfer of the risk for significant losses to the plan with a coverage limit of \$5.7 million for real and personal property losses and \$5 million for liability losses. Village of Caseville is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Workers' Compensation**

Village of Caseville purchased commercial insurance coverage for losses related to workers' compensation claims.

#### **Employee Health Care**

Village of Caseville purchased commercial insurance coverage for its employees and their dependents

### **NOTE 9 - LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Village for the year ended February 28, 2006:

	<b>FEBRUARY 28, 2005</b>	<b><u>ADDITIONS</u></b>	<b><u>RETIREMENTS</u></b>	<b>FEBRUARY 28, 2006</b>	<b><u>DUE WITHIN ONE YEAR</u></b>
2002 DDA General Obligation Bonds	\$ 850,000		\$ 25,000	\$ 825,000	\$ 25,000
2003 Special Assessment Bonds	355,000		30,000	325,000	25,000
USDA Water Intake Bonds		\$407,000		407,000	
USDA Sewer Revenue Bonds	2,445,000		55,000	2,390,000	60,000
USDA Water Tower Bonds	255,000		15,000	240,000	15,000
USDA Water Bonds	<u>485,000</u>		<u>30,000</u>	<u>455,000</u>	<u>30,000</u>
Totals	<u>\$4,390,000</u>	<u>\$407,000</u>	<u>\$155,000</u>	<u>\$4,642,000</u>	<u>\$155,000</u>

(Continued)

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

### NOTE 9 - LONG-TERM DEBT: (CONTINUED)

The long-term debt, principal and interest, maturing in the next five years is as follows:

<u>FEBRUARY 28,</u>	<u>2002 DDA GENERAL OBLIGATION BOND</u>	<u>2003 SPECIAL ASSESSMENT BONDS</u>	<u>SEWER REVENUE BOND</u>	<u>WATER TOWER BOND</u>	<u>WATER REVENUE BOND</u>
2007	\$ 64,413	\$ 35,156	\$ 179,500	\$ 27,000	\$ 57,300
2008	62,900	39,750	181,500	26,250	55,500
2009	86,387	39,150	178,250	25,500	53,700
2010	83,363	38,400	180,000	24,750	51,900
2011	80,337	32,613	176,500	29,000	55,100
2012-2016	431,275	165,062	880,750	135,000	249,000
2017-2021	324,300	47,625	852,000	59,500	134,400
2022-2026			835,000		
2027-2031			642,500		
Total	<u>1,132,975</u>	<u>397,756</u>	<u>4,106,000</u>	<u>327,000</u>	<u>656,900</u>
Less interest	<u>(307,975)</u>	<u>(72,756)</u>	<u>(1,716,000)</u>	<u>(87,000)</u>	<u>(201,900)</u>
Outstanding principal	<u>\$ 825,000</u>	<u>\$325,000</u>	<u>\$ 2,390,000</u>	<u>\$240,000</u>	<u>\$455,000</u>

Details of the Village of Caseville's long-term debt as of February 28, 2006, are as follows:

The Village of Caseville 2002 Downtown Development Bonds, in the amount of \$900,000, were issued August 27, 2002. The bond proceeds, along with a grant of \$500,000 from the Community Development Block Grant funds from the State of Michigan, were issued to construct streetscape improvements in downtown Caseville as well as a boardwalk to the municipal marina. The bonds shall bear interest payable March 1, 2003 and each September 1 and March 1 thereafter until maturity. The bonds final maturity date is September 1, 2018. The interest rates on the bonds are 6.05% through September 1, 2012, and then 4.05% thereafter until maturity. Bond principal payments are due on September 1 of each year in amounts that range from \$25,000 to \$100,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

\$ 825,000

The Village of Caseville 2005 Water Intake Bonds, in the amount of \$3,284,000, were issued May 9, 2005 from USDA Rural Development. The bond proceeds were issued to construct a new water intake in the bay. The bonds shall bear interest payable each January 1 and July 1 until maturity. The bonds final maturity date is July 1, 2045. The interest rate on the bonds is 4.125%. Bond principal payments are due on July 1 of each year in amounts that range from \$31,000 to \$168,000. As of February 28, 2006, \$407,000 of the bond proceeds have been issued to cover the construction costs through February 28, 2006.

407,000

**VILLAGE OF CASEVILLE, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
FEBRUARY 28, 2006**

**NOTE 9 - LONG-TERM DEBT: (CONTINUED)**

The Village of Caseville 2003 Special Assessment Bonds (Oxbow Dredging Project) (General Obligation Limited Tax), in the amount of \$395,000, were issued April 16, 2003. The bond proceeds were issued to finance the dredging of a portion of the Pigeon River within the Village of Caseville. The bonds shall be retired with the proceeds from special assessments collected from the village residents that own property along the river where the dredging took place. The bonds shall bear interest payable October 1, 2003 and each April 1 and October 1 thereafter until maturity. The bonds final maturity date is October 1, 2017. The interest rates on the bonds range from 1.0% to 4.5%. Bond principal payments are due on October 1 of each year in amounts that range from \$10,000 to \$30,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

325,000

The Village of Caseville Sanitary Sewage Collection and Treatment System Revenue Bonds, in the amount of \$2,881,000, were issued November 2, 1990. The bond proceeds, along with grants of \$3,335,391 from the Environmental Protection Agency and \$590,000 from the USDA Rural Development, were issued to construct a sanitary sewage collection and treatment system. The bonds shall bear interest payable each March 1 and September 1 until maturity. The bonds final maturity date is September 1, 2029. The interest rate on the bonds is 5%. Bond principal payments are due on September 1 of each year in amounts that range from \$55,000 to \$150,000.

2,390,000

The Village of Caseville Water Supply and Distribution System Revenue Bonds, in the amount of \$1,210,000, were issued November 30, 1987. The bond proceeds, along with a grant of \$950,000 from the USDA Rural Development, were issued to construct a water treatment facility and lake intake system, plus improve and extend the water distribution system. The bonds shall bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 6%. Bond principal payments are due on August 1 of each year in amounts that range from \$30,000 to \$60,000.

455,000

The Village of Caseville Water System Revenue Bonds, in the amount of \$455,000, were issued August 20, 1980. The bond proceeds were issued to construct a water tower, and to improve the water distribution system. The bonds bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 5%. Bond principal payments are due on August 1 of each year in amounts that range from \$15,000 to \$25,000.

240,000

**Total Bonded Debt Outstanding**

4,642,000

**Less: Current Portion of Bonds**

(155,000)

**Total Long-Term Portion of Bonded Debt**

\$4,487,000

Total interest incurred by the Enterprise Funds amounted to \$163,720 for the year ended February 28, 2006, all of which was charged to expense.

(Continued)

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**NOTE 10 – PRIOR PERIOD ADJUSTMENT:**

During the year ended February 28, 2005, \$161,407 of construction in progress and net assets was omitted from the Water Fund. The prior period adjustment makes the correction to include this amount in construction in progress and net assets.

**NOTE 11 – CONTINGENT LIABILITIES:**

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

**REQUIRED SUPPLEMENTAL INFORMATION**



**VILLAGE OF CASEVILLE, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Property taxes	\$ 383,466	\$ 383,466	\$ 386,785	\$ 3,319
Licenses and permits	8,900	8,900	16,550	7,650
Intergovernmental	101,568	101,568	100,971	(597)
Charges for services	80,000	80,000	86,400	6,400
Fines and forfeits	5,070	5,070	12,886	7,816
Interest	3,000	3,000	9,119	6,119
Administrative charges	62,340	62,340	62,873	533
Miscellaneous	3,300	3,300	8,813	5,513
<b>TOTAL REVENUE</b>	<u>647,644</u>	<u>647,644</u>	<u>684,397</u>	<u>36,753</u>
<b>EXPENDITURES:</b>				
Current:				
Village council/president/clerk	57,003	57,003	54,405	2,598
Elections	1,615	1,615	14	1,601
Administration	144,250	144,250	142,537	1,713
Village hall and grounds	27,165	30,165	29,923	242
Police protection	157,284	184,037	182,695	1,342
Breakwall area	11,876	12,876	12,746	130
Department of public works	63,026	75,026	71,371	3,655
Water board	1,181	1,181	942	239
Leaf and brush	15,974	23,174	22,408	766
Public utilities	34,000	36,400	36,270	130
Sanitation	60,000	60,800	60,801	(1)
Recreation	15,769	15,769	10,817	4,952
Planning commission	5,415	5,415	3,076	2,339
Zoning board of appeals	8,140	8,140	7,736	404
Downtown development authority	61,200	61,200	61,900	(700)
<b>TOTAL EXPENDITURES</b>	<u>663,898</u>	<u>717,051</u>	<u>697,641</u>	<u>19,410</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(16,254)</u>	<u>(69,407)</u>	<u>(13,244)</u>	<u>56,163</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	35,171	35,171	33,968	(1,203)
Operating transfers out	-	(1,929)	(1,929)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>35,171</u>	<u>33,242</u>	<u>32,039</u>	<u>(1,203)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>18,917</u>	<u>(36,165)</u>	<u>18,795</u>	<u>54,960</u>
<b>FUND BALANCE - BEGINNING</b>	<u>346,915</u>	<u>346,915</u>	<u>346,915</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 365,832</u>	<u>\$ 310,750</u>	<u>\$ 365,710</u>	<u>\$ 54,960</u>

## **SUPPLEMENTAL INFORMATION**

VILLAGE OF CASEVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
FEBRUARY 28, 2006

	SPECIAL REVENUE					OXBOW	CAPITAL	TOTAL
	MAJOR	LOCAL	POLICE	DOWNTOWN	DEBT	SERVICE	PROJECTS	
	STREET	STREET	EQUIPMENT	DEVELOPMENT				
				AUTHORITY				
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash	\$ 253	\$ 136		\$ 23,204				\$ 23,594
Investments	13,224	12,836	\$ 13,948	40,643		\$ 3,185		80,650
Due from other funds				30,268				3,185
Taxes receivable				94,115		3,185		30,268
<b>TOTAL CURRENT ASSETS</b>	<b>13,477</b>	<b>12,972</b>	<b>13,948</b>	<b>94,115</b>		<b>3,185</b>		<b>137,697</b>
<b>RESTRICTED ASSETS:</b>								
Investments			652		111,767		\$ 352,240	464,659
Special assessment receivable					228,615			228,615
<b>TOTAL RESTRICTED ASSETS</b>					<b>340,382</b>		<b>352,240</b>	<b>693,274</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,477</b>	<b>\$ 12,972</b>	<b>\$ 14,600</b>	<b>\$ 94,115</b>	<b>\$ 343,567</b>		<b>\$ 352,240</b>	<b>\$ 830,971</b>
<b>LIABILITIES</b>								
Accrued interest				\$ 19,706				\$ 19,706
Deferred revenue				975		\$ 228,615		228,615
Due to other funds				20,681				975
<b>TOTAL LIABILITIES</b>				<b>20,681</b>		<b>228,615</b>		<b>249,296</b>
<b>FUND BALANCE</b>								
Reserved for debt service					111,767			111,767
Reserved for capital projects			\$ 652				\$ 352,240	352,240
Reserved for police forfeiture			13,948	73,434		3,185		652
Unreserved	\$ 13,477	\$ 12,972	14,600	73,434		114,952	352,240	117,016
<b>TOTAL FUND BALANCE</b>	<b>13,477</b>	<b>12,972</b>	<b>14,600</b>	<b>94,115</b>		<b>343,567</b>	<b>352,240</b>	<b>581,675</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 13,477</b>	<b>\$ 12,972</b>	<b>\$ 14,600</b>	<b>\$ 94,115</b>		<b>\$ 343,567</b>	<b>\$ 352,240</b>	<b>\$ 830,971</b>

VILLAGE OF CASEVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	SPECIAL REVENUE					OXBOW	CAPITAL	TOTAL
	MAJOR STREET	LOCAL STREET	POLICE EQUIPMENT	DOWNTOWN DEVELOPMENT AUTHORITY	DEBT SERVICE	PROJECTS		
<b>REVENUE:</b>								
Property taxes				\$ 12,281			\$ 12,281	
Current TIFA payments				70,048			70,048	
Special assessments					\$ 20,205		20,205	
Intergovernmental							112,020	
Interest	\$ 80,822	\$ 31,198		1,770	13,899		20,373	
Miscellaneous	2,155	2,058	\$ 491				6,540	
		3,534	3,006					
<b>TOTAL REVENUE</b>	<b>82,977</b>	<b>36,790</b>	<b>3,497</b>	<b>84,099</b>	<b>34,104</b>		<b>241,467</b>	
<b>EXPENDITURES:</b>								
Administration	2,020	2,020					4,040	
Police protection			8,406				8,406	
Construction		70,629					70,629	
Routine maintenance	38,071	36,400					74,471	
Winter maintenance	9,014	6,702					15,716	
Trunkline maintenance	27,418						27,418	
Downtown Development Authority				4,975			4,975	
Principal and interest payments	76,523	115,751	8,406	65,169	40,569		105,738	
				70,144	40,569		311,393	
<b>TOTAL EXPENDITURES</b>	<b>6,454</b>	<b>(78,961)</b>	<b>(4,909)</b>	<b>13,955</b>	<b>(6,465)</b>		<b>(69,926)</b>	
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>								
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating transfers in	1,929	58,600				\$ 24,600	85,129	
Operating transfers out						(58,600)	(58,600)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,929</b>	<b>58,600</b>				<b>(34,000)</b>	<b>26,529</b>	
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>8,383</b>	<b>(20,361)</b>	<b>(4,909)</b>	<b>13,955</b>	<b>(6,465)</b>	<b>(34,000)</b>	<b>(43,397)</b>	
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>5,094</b>	<b>33,333</b>	<b>19,509</b>	<b>59,479</b>	<b>121,417</b>	<b>386,240</b>	<b>625,072</b>	
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 13,477</b>	<b>\$ 12,972</b>	<b>\$ 14,600</b>	<b>\$ 73,434</b>	<b>\$ 114,952</b>	<b>\$ 352,240</b>	<b>\$ 581,675</b>	

**VILLAGE OF CASEVILLE, MICHIGAN**

**MAJOR STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Intergovernmental:				
Gas and weight tax	\$ 46,000	\$ 46,000	\$ 46,217	\$ 217
M-25 maintenance	10,000	10,000	12,320	2,320
County road tax	<u>20,464</u>	<u>20,464</u>	<u>22,285</u>	<u>1,821</u>
Total intergovernmental	76,464	76,464	80,822	4,358
Interest	<u>100</u>	<u>100</u>	<u>2,155</u>	<u>2,055</u>
<b>TOTAL REVENUE</b>	<u>76,564</u>	<u>76,564</u>	<u>82,977</u>	<u>6,413</u>
<b>EXPENDITURES:</b>				
Administration	2,020	2,020	2,020	
Routine maintenance	37,326	39,255	38,071	1,184
Winter maintenance	11,985	11,985	9,014	2,971
Trunkline maintenance	<u>25,233</u>	<u>27,418</u>	<u>27,418</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	76,564	80,678	76,523	4,155
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(4,114)</u>	<u>6,454</u>	<u>10,568</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in		-	1,929	1,929
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(4,114)</u>	<u>8,383</u>	<u>12,497</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	5,094	5,094	5,094	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,094</u>	<u>\$ 980</u>	<u>\$ 13,477</u>	<u>\$ 12,497</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**LOCAL STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Intergovernmental:				
Gas and weight tax	\$ 25,000	\$ 25,000	\$ 25,274	\$ 274
County road tax	5,394	5,394	5,924	530
Total intergovernmental	30,394	30,394	31,198	804
Telecommunications maintenance	750	750	3,534	2,784
Interest	200	200	2,058	1,858
<b>TOTAL REVENUE</b>	<u>31,344</u>	<u>31,344</u>	<u>36,790</u>	<u>5,446</u>
<b>EXPENDITURES:</b>				
Construction	1,030	60,730	70,629	(9,899)
Administration	2,020	2,020	2,020	
Routine Maintenance	50,735	50,735	36,400	14,335
Winter Maintenance	9,342	9,342	6,702	2,640
<b>TOTAL EXPENDITURES</b>	<u>63,127</u>	<u>122,827</u>	<u>115,751</u>	<u>7,076</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(31,783)</u>	<u>(91,483)</u>	<u>(78,961)</u>	<u>12,522</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in	31,783	90,383	58,600	(31,783)
<b>EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(1,100)</u>	<u>(20,361)</u>	<u>(19,261)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	33,333	33,333	33,333	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 33,333</u>	<u>\$ 32,233</u>	<u>\$ 12,972</u>	<u>\$ (19,261)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**POLICE EQUIPMENT FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE</b>				
Interest	\$ 200	\$ 200	\$ 491	\$ 291
Fees and restitution	<u>6,500</u>	<u>11,500</u>	<u>3,006</u>	<u>(8,494)</u>
<b>TOTAL REVENUE</b>	<u>6,700</u>	<u>11,700</u>	<u>3,497</u>	<u>(8,203)</u>
<b>EXPENDITURES:</b>				
Police protection	4,800	9,800	8,406	1,394
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>1,900</u>	<u>1,900</u>	<u>(4,909)</u>	<u>(6,809)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	19,509	19,509	19,509	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 21,409</u>	<u>\$ 21,409</u>	<u>\$ 14,600</u>	<u>\$ (6,809)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Property taxes	\$ 12,255	\$ 12,255	\$ 12,281	\$ 26
Current TIFA payments	80,894	80,894	70,048	(10,846)
Interest	425	425	1,770	1,345
<b>TOTAL REVENUE</b>	<u>93,574</u>	<u>93,574</u>	<u>84,099</u>	<u>(9,475)</u>
<b>EXPENDITURES:</b>				
Streetscape	17,349	17,349	2,500	14,849
Other	10,300	10,300	2,475	7,825
Bond principal	25,000	25,000	25,000	-
Bond interest	40,925	40,925	40,169	756
<b>TOTAL EXPENDITURES</b>	<u>93,574</u>	<u>93,574</u>	<u>70,144</u>	<u>23,430</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>13,955</u>	<u>13,955</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	59,479	59,479	59,479	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 59,479</u>	<u>\$ 59,479</u>	<u>\$ 73,434</u>	<u>\$ 13,955</u>



**VILLAGE OF CASEVILLE, MICHIGAN**

**SEWER FUND  
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 129,160	\$ 162,779	\$ 33,619
Penalties	-	1,077	1,077
<b>TOTAL OPERATING REVENUE</b>	<u>129,160</u>	<u>163,856</u>	<u>34,696</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	45,819	44,770	1,049
Employee benefits	25,213	25,618	(405)
Administration	14,275	14,408	(133)
Operating supplies	41,200	7,216	33,984
Contracted services	1,000	2,552	(1,552)
Legal	-	60	(60)
Utilities	7,650	8,240	(590)
Depreciation	-	114,293	(114,293)
Repairs and maintenance	9,900	7,574	2,326
Insurance	2,624	3,338	(714)
Equipment rental	14,000	12,574	1,426
Miscellaneous	3,300	2,650	650
<b>TOTAL OPERATING EXPENSES</b>	<u>164,981</u>	<u>243,293</u>	<u>(78,312)</u>
<b>OPERATING (LOSS)</b>	<u>(35,821)</u>	<u>(79,437)</u>	<u>(43,616)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest income	5,000	13,743	8,743
Interest expense - long-term debt	(122,250)	(120,875)	1,375
Local source fund balance	33,148		(33,148)
Principal payments	(55,000)		55,000
Service charges - debt	138,000	133,157	(4,843)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>(1,102)</u>	<u>26,025</u>	<u>27,127</u>
<b>(LOSS) BEFORE OTHER FINANCING (USES)</b>	<u>(36,923)</u>	<u>(53,412)</u>	<u>(16,489)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**SEWER FUND**

**SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING (USES):			
Transfer to other funds	<u>(23,077)</u>	<u>(23,257)</u>	<u>(180)</u>
TOTAL OTHER FINANCING (USES)	<u>(23,077)</u>	<u>(23,257)</u>	<u>(180)</u>
CHANGE IN NET ASSETS	<u>(60,000)</u>	<u>(76,669)</u>	<u>(16,669)</u>
NET ASSETS - BEGINNING	3,205,985	3,205,985	
NET ASSETS - ENDING	<u>\$3,145,985</u>	<u>\$3,129,316</u>	<u>\$ (16,669)</u>

# VILLAGE OF CASEVILLE, MICHIGAN

## WATER FUND SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS - BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 28, 2006

	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 633,500	\$ 673,295	\$ 39,795
Penalties	-	1,152	1,152
Miscellaneous	200	9,806	9,606
<b>TOTAL OPERATING REVENUE</b>	<u>633,700</u>	<u>684,253</u>	<u>50,553</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	176,549	165,741	10,808
Employee benefits	109,085	95,169	13,916
Administration	42,825	43,225	(400)
Office supplies	200	212	(12)
Operating supplies	22,450	26,225	(3,775)
Lab supplies	17,000	16,319	681
Maintenance supplies	10,000	6,816	3,184
Contracted services	18,700	13,138	5,562
Legal	20,225	13,528	6,697
Utilities	38,700	45,434	(6,734)
Depreciation	-	146,776	(146,776)
Repairs and maintenance	3,034,500	41,263	2,993,237
Insurance	30,867	30,805	62
Equipment rental	18,500	16,216	2,284
Miscellaneous	2,800	2,926	(126)
<b>TOTAL OPERATING EXPENSES</b>	<u>3,542,401</u>	<u>663,792</u>	<u>2,878,609</u>
<b>OPERATING (LOSS)</b>	<u>(2,908,701)</u>	<u>20,460</u>	<u>2,929,161</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest income	1,500	5,318	3,818
Interest expense - long-term debt	(86,850)	(42,845)	44,005
Reimburse pre-construction expenses	-	(96,475)	(96,475)
Bond and grant proceeds	3,000,000	-	(3,000,000)
Local source fund balance	5,405	-	(5,405)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>2,920,055</u>	<u>(134,003)</u>	<u>(3,054,058)</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>11,354</u>	<u>(113,542)</u>	<u>(124,896)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**WATER FUND  
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>OTHER FINANCING (USES):</b>			
Transfer to other funds	(36,754)	(35,312)	1,442
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(36,754)</u>	<u>(35,312)</u>	<u>1,442</u>
<b>CHANGE IN NET ASSETS</b>	<u>(25,400)</u>	<u>(148,854)</u>	<u>(123,454)</u>
<b>NET ASSETS - BEGINNING</b>	2,127,103	2,127,103	
<b>PRIOR PERIOD ADJUSTMENT</b>	161,407	161,407	
<b>NET ASSETS - ENDING</b>	<u>\$ 2,263,110</u>	<u>\$ 2,139,656</u>	<u>\$ (123,454)</u>

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Caseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village of Caseville, Michigan's basic financial statements and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

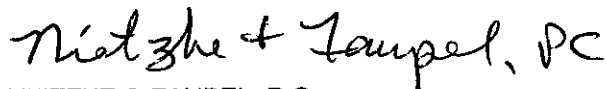
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Caseville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Caseville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

June 7, 2006

June 7, 2006

To the Village Council  
Village of Caseville  
Caseville, Michigan 48725

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Village of Caseville, Michigan for the year ended February 28, 2006, and are submitted for your evaluation and consideration. We would like to emphasize that since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements; these comments are not necessarily all inclusive.

#### **Budgeting:**

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Expenditures should be compared with the budget on a monthly basis and the budget should be adjusted, if needed, before expenditure is made in excess of the budgeted amount. We noted three instances where there was a budget violation. These violations occurred in the General and Special Revenue Funds.

#### **Investment Policy:**

Currently, the Village's investment policy does not address the risk categories required by GASB Statement 40 and this fact has been included in the disclosures to the financial statements as required. The risk categories that the Village's investment policy should address include credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. We recommend that the Village adopt an amendment to its investment policy that addresses these risk categories. We have provided a sample investment policy to the Village's management to use as a guide for addressing the various risk categories.

#### **Accounts Receivable Reconciliations:**

During the audit, we noted that the listing of utility customer account balances did not reconcile to the various general ledger control accounts. In order to insure the accuracy of the utility account balances, we recommend that the listing of utility customer account balances be reconciled to the general ledger control accounts on a monthly basis. Along with the month end balances of the accounts, the monthly utility billings and collections should be reconciled to the transactions recorded in the Village's general ledger.

Page 2  
Village of Caseville  
June 7, 2006

The above recommendations are being made in an effort to improve the Village's system of recordkeeping and to aid the Village in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you in implementing any of the aforementioned recommendations.

We would like to take this opportunity to thank the Village personnel for their hospitality and assistance we received during our audit for the year ended February 28, 2006.

*Nietzke & Faupel, PC*  
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